

TIMS

TAX INFORMATION MANAGEMENT SYSTEM

Public-Private Partnership Program Quarterly Status Report

Period Ending: July 2010
(Updated 8/23/2010)

Outline

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 - Status: Program Implementation
 - ❑ Overall Program Implementation Status
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 - ❑ Release view: Technology Components by Release
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 - ❑ IRMF and Returned Mail
 - ❑ Automated Attachments
 - ❑ Vendor Cost vs. Funding
 - P3 Oversight Process
 - ❑ Public-Private Partnership Legislation
 - ❑ Contract Amendments
 - ❑ Tracking Our Success Criteria
 - Appendix – Supporting Documents
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Progress To-Date

- Key Accomplishments

- ❑ Completed initiatives begin realizing benefits early
 - Total collections to date: \$675,090
 - DOR improves current projection of benefits stream
- ❑ Release 2 – focused on building benefits pool
 - 52% complete
 - Fast Track initiatives, with anticipated quarterly benefits of upwards of \$2.3M, are on track.; Returned Mail initiative performing better than anticipated
 - DTAX compliance initiatives with anticipated average quarterly benefits of \$1.5M, recovering from implementation issues; IRMF initiative realizing benefits earlier than expected
- ❑ Release 3 – focused on integration of tax processes
 - 65% complete

- Other Milestones

- ❑ Benefits Funding and Collections Case Management Amendments to CGI contract were completed
- ❑ Changes to Public-Private Partnership legislation

Status: Program Implementation

Overall Program Implementation Status

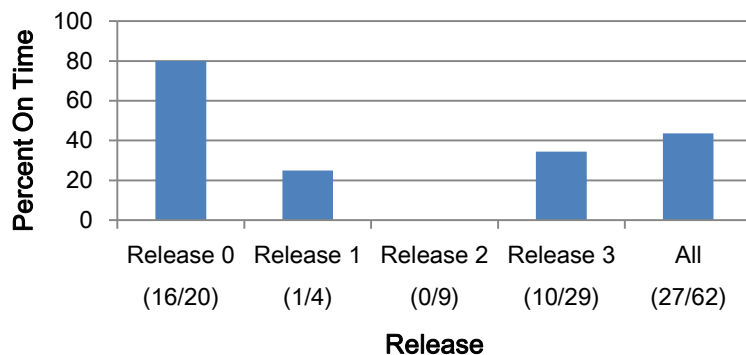
(period ending July 2010)

Overall Program Status Summary						
Scope	Schedule	Budget				
G	Y	G				
<ul style="list-style-type: none"> 52% of program work completed to-date No scope-related change requests approved this month 	<ul style="list-style-type: none"> Release 2: Currently forecasting about one month delayed Release 3: Currently forecasting about two months delayed 	(In Million \$)	Total	Planned to-date	Actual to-date	% Var.
		System	86	26.83	25.92	3.39%
		DOR Internal	10.16	2.698	2.676	.81%
		<ul style="list-style-type: none"> CGI Contract Payments: \$21.7M 				

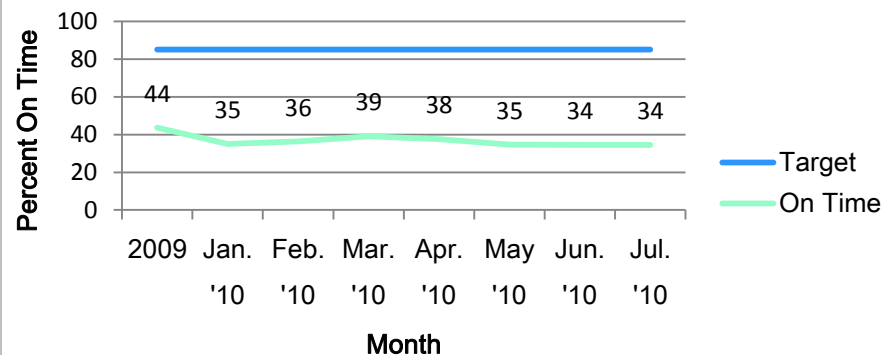
TIMS Program Dashboard						
Program Releases	Plan Start Date	Go-Live Date	Actual/ Forecast Start Date	Actual/ Forecast Go-Live Date	% Work Complete	Status
Release 0	10/01/08	08/31/09	10/01/08	09/24/09	100%	Completed
Release 1	10/05/09	02/24/10 03/26/10	10/05/09	02/25/10 05/13/10	100%	Completed
Release 2	10/15/09	07/09/10 12/13/10	10/15/09	08/31/10 01/06/11	52%	↔
Release 3	10/01/08	01/11/11	06/04/09	03/09/11	65%	↓
Release 4	TBD	TBD	TBD	TBD	Not started	Not started
Release 5	03/01/10	12/31/11	05/24/10	12/31/11	TBD	Started
Release 6	TBD	TBD	TBD	TBD	Not started	Not started

TIMS Dashboard

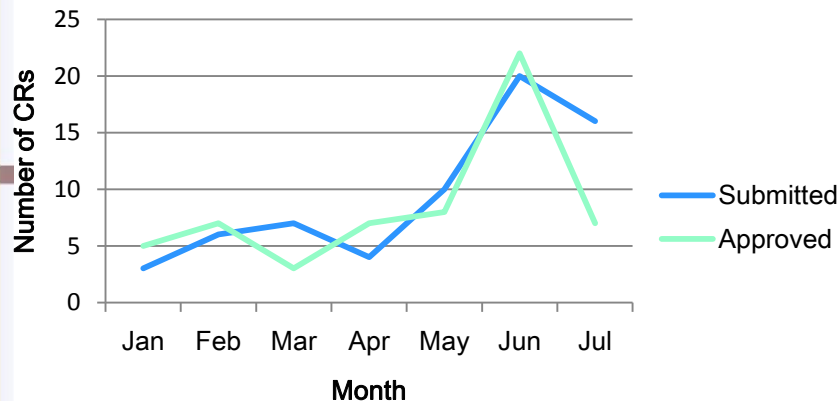
Deliverables Completed on Time By Release



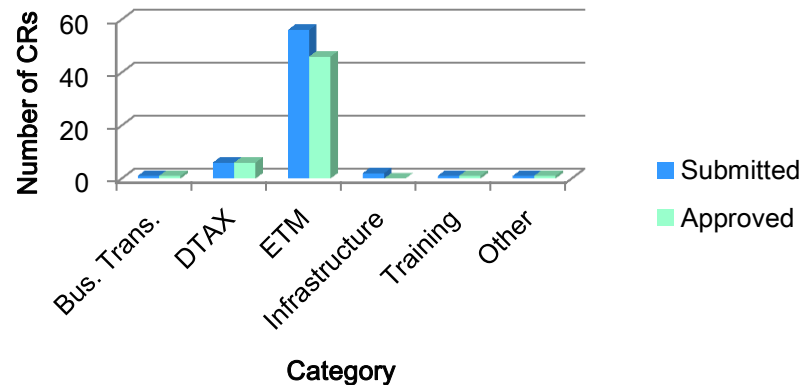
Deliverables Completed On Time – Release 3



Change Requests By Month



Cumulative Release 3 Changes By Category



Technology Components by Release

	Oct 2008	1Q 2010	3Q 2010	4Q 2010	1Q 2011	4Q 2011	2Q/3Q 2012	Oct 2012
INITIATIVES	RELEASE 1	RELEASE 2	RELEASE 3	RELEASE 4	RELEASE 5	RELEASE 6		
	Focus: DTAX Revenue Generation FY 2009	Focus: DTAX Revenue Generation FY 2010+	Focus: Non-ITAS Integrated Tax Processing	Focus: Taxpayer Relationship Management	Focus: ITAS Replacement	Focus: Taxpayer Self-Service		
Business Intelligence		✓	✓	✓	✓	✓		
Compliance/DiscoverTax	✓	✓	✓		✓			
e-Services (several projects)		✓* NC-3 / W-2 only		✓* NC-3 / W-2 only	deferred	deferred		
Customer Information Portal		deferred	deferred	deferred	deferred			
Customer Relationship Management		deferred	deferred	deferred	deferred			
Knowledge Management		deferred	deferred	deferred				
Integrated Tax (ETM)			✓		✓			
Collections Case Management			✓		✓			
Collection Initiatives (Fast Tracks)		✓						

Key Business Capabilities by Release

Oct 2008	1Q 2010	3Q 2010	4Q 2010	1Q 2011	4Q 2011	2Q/3Q 2012	Oct 2012
✓ RELEASE 1	RELEASE 2	RELEASE 3	RELEASE 4	RELEASE 5	RELEASE 6	RELEASE 6	RELEASE 6
<ul style="list-style-type: none"> ✓ Consolidated internal/external data (ITAS individual and bus. registration data, IRMF, IMF/IRTF IRS data, DMV) for individual income compliance audits ✓ IRMF-based non-Filer program expansion ✓ Case Management to support notice generation ✓ IRMF-based assessments available in ITAS 	<ul style="list-style-type: none"> ▪ Additional internal/external data sources (NC3-W2, BMF/BRTF IRS data, ESC, bus. registration data from non-ITAS tax schedules) ▪ Refund review and fraud prevention improvements. ▪ Desk audit programs - addition of new, and improvements to existing ▪ IRTF-based non-filers ▪ Revenue Agent Report (RAR) case automation ▪ Audit case management for new case types ▪ NC3/W2 e-Filing (prototype) ▪ Framework for capturing and sharing of operational knowledge ("knowledge management")* ▪ Taxpayer-centric website, e-learning & web search capability* ▪ Collaborative and rapid deployment of web content* ▪ Initial performance reports on compliance programs* ▪ Expansion of telephony capability to additional staff (TBD)* ▪ Automated write-off reversals ▪ Automated address lookup for returned mail ▪ Corporate delinquency compliance program ▪ Vendor attachment 	<ul style="list-style-type: none"> ▪ Integrated tax processing for 29 non-ITAS tax types (incl. Motor Fuels, Insurance, Tobacco, Alcohol, Unauthorized Substance) ▪ IFTA and IRP Motor Fuel audits ▪ Automated collections case management, workflow, management of case inventory ▪ Risk/yield models leveraged to drive treatment strategies ▪ Increased automation of legal actions (incl. write-off accounts and interface to levy sources) ▪ Expansion of telephony capability to additional staff (TBD)* ▪ Initial knowledge management content to support new integrated tax processing* ▪ Operational reports to support non-ITAS tax schedules ▪ Initial collections operational reports 	<ul style="list-style-type: none"> ▪ Telephony enhancements incl. advanced routing* ▪ Initial integrated taxpayer contact history for one-and-done interactions* ▪ Initial taxpayer education campaigns* ▪ Expansion of knowledge management content* ▪ Secure email and chat with taxpayers ▪ NC3-W2 e-filing (full capability) ▪ Initial contact management and* operational dashboard reporting 	<ul style="list-style-type: none"> ▪ Integrated tax processing for 36 ITAS tax types (incl. individual, corporate, sales) ▪ Expansion of contact management to include remaining communication channels (fax, email, correspondence)* ▪ Content/Skills-based routing of taxpayer contacts* ▪ Online taxpayer services: filing and payment, registration, (replacement of existing capabilities with real-time updates)* ▪ Modernized e-File 1040 / IRS-mandate (funding TBD) ▪ Operational reporting to support ITAS tax schedules ▪ Continued dashboard reporting rollout 	<ul style="list-style-type: none"> ▪ Expanded online taxpayer services (incl. e-file/pay for additional taxes, account management and maintenance)* ▪ Rollout of complete dashboard reporting structure ▪ Deployment of forward looking capabilities such as forecasting 		

*Status = deferred

08/23/10

Status: Benefits Realization

Summary of Benefits

Original Forecast vs Actuals (Period ending July 2010)

Net Benefit Forecast (in \$ Millions)	Q1 2010	Q2 2010	Q3 [*] 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
1. (IIT) Non-Filed Program Expansion (aka IRMF)		0.157	0.074			0.59	0.99	1.00	0.89	0.62	0.62	0.60	0.56	0.46	0.37	0.35
2. RAR Case Automation					0.04	0.04	0.08	0.08	0.08	0.08	0.08	0.08	0.04	0.04	0.00	0.00
3. Refund Review & Fraud Prevention					0.38	0.38	0.13	0.13	0.38	0.38	0.13	0.13	0.38	0.38	0.13	0.13
4. Desk Audit Selection – New & Existing Programs							0.42	0.62	0.32	0.26	0.19	0.34	0.23	0.13	0.19	0.09
5a. Automated Attachment				0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
5b. Collections Case Mgmt						1.50	2.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6. Write-off Reversal Automation				1.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
7. Returned Mail Automation		0.279	0.165	0.25	0.50	0.12	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. Vendor Attachment				0.36	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
9. Corporate Delinquency					0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.00	0.00	0.00	0.00
Quarterly Benefit - Forecast	0.00	0.00	0.00	2.36	4.36	6.23	6.59	7.41	7.26	6.92	6.62	6.74	6.55	6.35	6.03	5.92
Cumulative Benefits – Forecast	0.00	0.00	0.00	2.36	6.72	12.95	19.54	26.95	34.22	41.14	47.76	54.50	61.05	67.41	73.44	79.36
Quarterly Benefit – Actual	-	0.436	0.239													
Cumulative Benefits - Actual	-	0.436	0.675													

^{*} Month 1 of Q3 only

Original Forecast vs Current Projections*

Annual Peak Benefit by Initiative

	Original Forecast		Current (Low) Projections	
	Annual Peak \$		Annual Peak \$	
	Low	High		
1. IIT Non-Filer Program Expansion (IRMF)	\$3.5M	\$22.0M	\$3.5M	↔
2. RAR Case Automation	\$0.3M	\$3.0M	\$0.3M	↔
3. Refund Review & Fraud Prevention	\$1.0M	\$8.0M	\$1.0M	↔
4. Desk Audit Selection – New and Existing Programs	\$1.6M	\$11.4M	\$1.6M	↔
5a. Automated Attachments	\$4.0M	\$4.0M	\$8.0 M	↑
5b. Collections Case Management	\$11.0M	\$11.0M	\$11.0M	↔
6. Write-off Reversal Automation	\$3.2M	\$4.0M	\$3.0M	↓
7. Returned Mail Automation	\$1.0M	\$1.9M	\$1.5M	↑
8. Vendor Attachment	\$2.4M	\$3.0M	\$2.4M	↔
9. Corporate Delinquency	\$1.0M	\$2.0M	\$1.0M	↔
TOTAL	\$29.0M	\$70.3M	\$33.3M	

* Projections updated as of July 30, 2010

Benefits Funding: Common Terminology

Exclusions and Exceptions

- Gross Benefits
 - Benefits generated by the project
- Net Benefits
 - Benefits available to pay CGI
 - Gross Benefits less non-General Fund Collections
 - Civil Penalty Collections
 - Collection Assistance Fee Collections
 - County Sales & Use Tax Collections
- Both Gross and Net Benefits will be measured, but only Net Benefits will be available for possible vendor payment

IRMF and Returned Mail

Tagging Methodology

IRMF

- The non-filer period identified through IRMF initiative is tagged
- Collections for these assessments will be measured within an Access database on a monthly basis until the DTAX compliance tracking framework is operational
- The total of the tagged collections represent the Gross Benefits
- Any follow-up revenue for subsequent tax years that were tagged will be included in Gross Benefits

Returned Mail

- Assessments that go through the returned mail process will be tagged
- Collections for these assessments will be measured within an Access database on a monthly basis
- The Total of these tagged collections represent the Gross Benefits

Automated Attachments

Benefits Measurement Overview

- Benefits will be measured by change in collection rate
- Gross Benefits = (Benchmark Collection Rate - Baseline Collection Rate) x Benchmark Available to Collect
- Any assessments tagged by another program are excluded from both collections and available Accounts Receivable (A/R)
- Twelve monthly baselines will be used because of seasonal fluctuations
- Net Benefits will be measured by reducing the benefits by the percentage of collections for non-General Fund revenues

$$\text{Net Benefits} = \text{Gross Benefits} \times \frac{\text{Total Collections} - \text{Excluded Collections}}{\text{Total Collections}}$$

Automated Attachments

Baseline Collections Rate / Benchmark Collection Rate

$$\text{Baseline Collection Rate} = \frac{\sum \text{Collections}_{Base}}{\sum \text{Collections}_{Base} + \sum \text{Available}_{Base}}$$

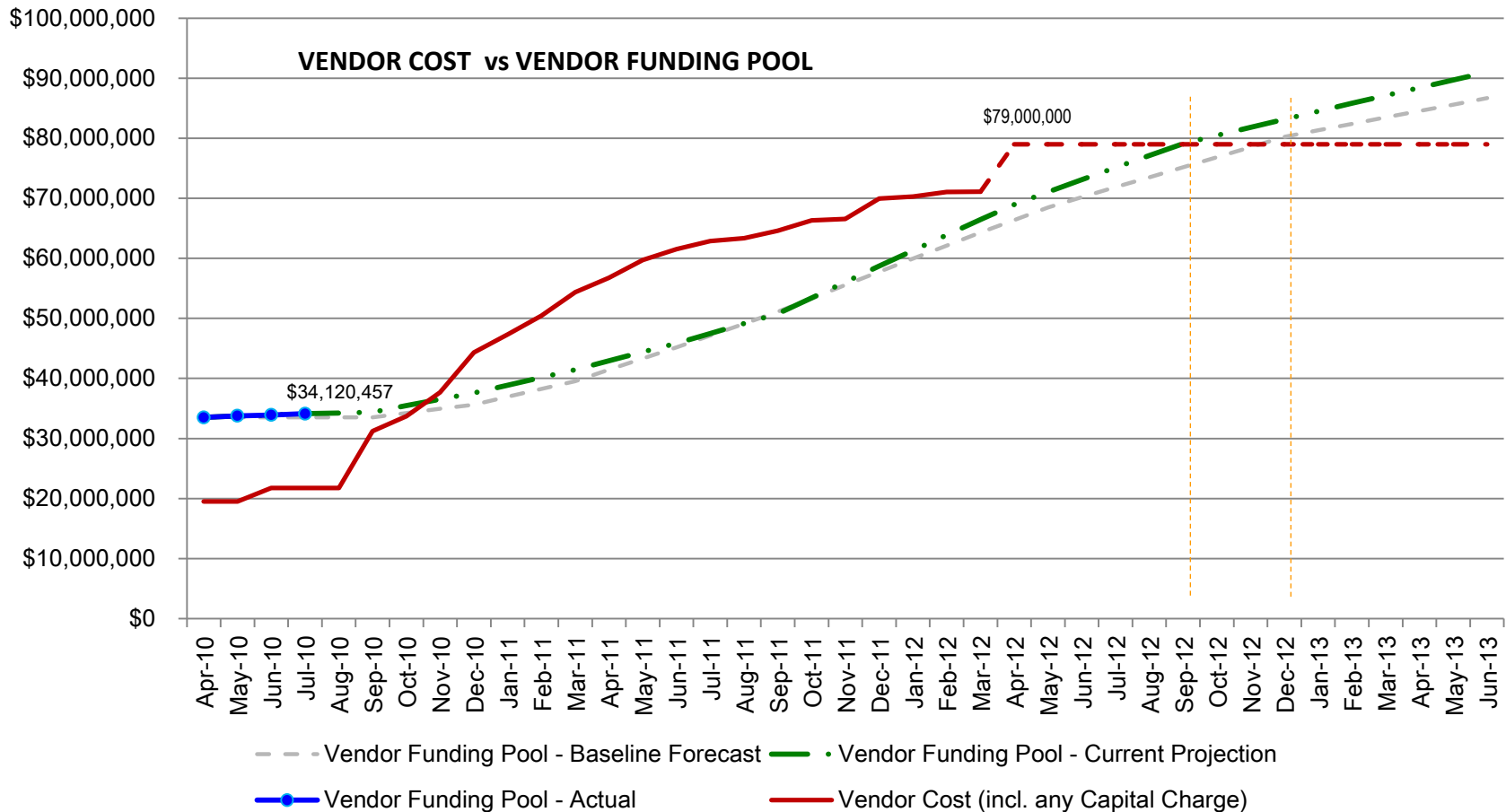
- $\Sigma \text{Collections}_{Base}$: Sum of all final assessment collections received from CCU and C&E during the baseline period
- $\Sigma \text{Available}_{Base}$: Total A/R within the Central Collections Unit (CCU) and Collections and Enforcement (C&E) organizations at period end
- Measured for each month for the July 2009 – June 2010 period

$$\text{Benchmark Collection Rate} = \frac{\sum \text{Collections}_{Bench}}{\sum \text{Collections}_{Bench} + \sum \text{Available}_{Bench}}$$

- $\Sigma \text{Collections}_{Bench}$: Sum of all collection transactions received during the benchmark period from the Automated Attachment process less collections from tagged assessments
- $\Sigma \text{Available}_{Bench}$: Total A/R available to this process less available A/R from a tagged assessment and less business receivables
- Measured monthly

Vendor Cost vs Funding

As of Period Ending July 2010



Break-even point based on Baseline Forecast: Dec 2012

Break-even point based on Current Projection: Sep 2012

P3 Oversight Process

Public-Private Partnership Legislation

- Section 6.20.(a)
 - ❑ Extension of partnership, and Committee's oversight of the partnership, to June 30, 2015
 - ❑ Exclusion of DOR internal costs from application of benefits
 - Potential impact: Puts at risk our ability to modify staffing and infrastructure quickly and efficiently thus adding cost and potentially causing delays
- Section 6.20.(c) P3 Oversight Committee's responsibilities
 - ❑ Review and approval in writing of contractual agreements
 - Potential Impact: Could lengthen implementation timetable which will impact release schedules and benefits timeframes thus increasing cost
 - ❑ Provision of P3 Oversight Committee meeting minutes to legislative oversight bodies

Contract Amendments

- Amendment #4: Benefits Funding Amendment
 - ❑ Benefits Recognition Period
 - ❑ Capital Charge
 - ❑ CGI Thresholds for Unpaid Invoices and Corrective Actions
- Amendment #5: Collections Case Management
 - ❑ Acquisition of CGI's CACS-G (Computer Assisted Collection System for Government) software
 - ❑ Implementation of Collections Case Management System as part of the TIMS Program

Tracking Our Success Criteria

	Success Criteria	Criteria Met?
1	Cost and benefit lines actually cross (break-even point actually occurs)	Estimated: As early as Sep 2012 for Vendor Cost
2	Benefits stream gets to steady state	Yes – for Returned Mail; others on track (DTAX, Fast Tracks)
3	DOR TIMS operation goes live internally	In process for IRMF Program
4	DOR is able to shift “n” resources to revenue-generating positions	TBD
5	Straight through processing rate improves from “x to y”	TBD
	Leading Indicators	Metrics
1	Schedule indicator: At least 85% of scheduled deliverables are completed on time as reported in monthly status reports	Cumulative percentage of deliverables completed vs. planned through the current reporting period (slide 6)
2	Cost indicator: Project to-date expenditures do not exceed the program budget (negative variance does not occur)	Actual expenditures to-date vs. planned expenditures to-date (slide 5, Overall Program Implementation Status)
3	Quality indicator: Defect density during testing; target is less than 5%	Ratio of defects to executed test cases (TBD)
4	Scope Stability indicator: Number of changes to approved requirements (threshold TBD)	Rate of changes to approved requirements prior to deployment (slide 6)

Appendix

Supporting Documents (click to launch)

(Click to launch. If in SharePoint, right click, and select Acrobat Document Object.)

- ❑ Scenario 5 (v.8/20/2010) – depicts approved projects that are in progress, monthly forecast and actual expenditures, monthly forecast and actual benefits, cash flow for vendor payments



Adobe Acrobat
Document

- ❑ TIMS Monthly Management Status Report (July 2010) – comprehensive status of all releases



Adobe Acrobat
Document

- ❑ Cost-Benefit Analysis (v. 8/20/2010) – updated with new projections



Adobe Acrobat
Document

- ❑ Public-Private Partnership Legislation



Adobe Acrobat
Document